

Message Text

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64

ACTION EUR-25

INFO OCT-01 IO-15 ISO-00 AID-20 CEA-02 CIAE-00 COME-00

EB-11 FRB-02 INR-10 NSAE-00 RSC-01 CIEP-02 SPC-03

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FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 5859

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS UNN

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN UNN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION GENEVA

USMISSION OECD PARIS UNN

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E.O. 11652 NA

TAGS: EAGR, ETRD

SUBJECT: US EXPORT CONTROLS ON STEEL SCRAP

REF: EC BRUSSELS 5536

1. SUMMARY. COMMISSION OFFICIALS EXPECT TO RAISE THE STEEL SCRAP QUESTION BRIEFLY DURING SOAMES/CASEY TALKS. THEY WILL SUGGEST AN EARLY CONSULTATION CONCENTRATING ON 1974 EC REQUIREMENTS AND 1974 US EXPORT PLANS. END SUMMARY.

2. SUBSEQUENT TO REFTEL COMMISSION OFFICIALS (FIELDING
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FROM DG I AND BARISICH FROM DG III) FURNISHED FURTHER

EXPLANATIONS. THEY TELL US THAT THE COMMUNITY'S SCRAP SHORTAGE IS CONCENTRATED AMONG THE SMALL ITALIAN PRODUCERS AROUND BRESCIA AND MIDDLE-SIZE PRODUCERS SUCH AS FALCK NEAR MILAN. BARISICH STATED THAT DESPITE THE RELATIVELY SMALL QUANTITIES INVOLVED THE SITUATION IS SEVERE FOR SOME OF THESE PRODUCERS SINCE THEY DEPEND SO HEAVILY UPON SCRAP AND SINCE PREVIOUS INTENSE SCRAP COLLECTION CAMPAIGNS HAVE LEFT ALMOST NO RESERVE WITHIN ITALY. SCRAP PRICES ARE HIGH. SOME OF THE MEDIUM-SIZED PRODUCERS ARE UNABLE TO PAY THESE HIGH PRICES AND STILL PRODUCE STEEL WITHIN THE TERMS OF THEIR PRICE CONTROL AGREEMENTS WITH THE ITALIAN GOVERNMENT. THEY MAY THUS HAVE TO STOP PRODUCTION.

2. IN A CONVERSATION ON OCTOBER 9 FIELDING INFORMED THE MISSION THAT DESPITE THE COMMISSION'S CONCERN OVER POSSIBLE SHORTAGES IN 1973 IT HAD DECIDED TO LAY THE GREATEST EMPHASIS ON REACHING SATISFACTORY 1974 ARRANGEMENTS.

3. FIELDING STATED THAT HIJZEN WILL RAISE THIS SUBJECT DURING THE OCT. 30-31 SOAMES-CASEY TALKS IN WASHINGTON IN A "BRIEF AND POSITIVE" FASHION. HIJZEN WILL PROBABLY STATE THAT THE COMMISSION WOULD LIKE TO FURNISH THE US FURTHER INFORMATION ABOUT ITS 1974 NEEDS AS EARLY AS POSSIBLE (I.E., HAVE ANOTHER FORMAL CONSULTATION). THOUGH THE COMMISSION DOES NOT EXPECT TO HAVE ALL ITS FACTS AND FIGURES READY BEFORE THE FIRST WEEK IN NOVEMBER, IT WOULD BE READY FOR EARLIER CONSULTATIONS IF THE US BELIEVES THIS USEFUL. THE COMMISSION IS EAGER THAT 1974 EC SCRAP STEEL REQUIREMENTS BE TAKEN INTO ACCOUNT EARLY IN THE PREPARATION OF THE 1974 US EXPORT PROGRAM. THE COMMISSION IS STILL CONCERNED ABOUT THE 1973 SHORTFALL IN ITALY--A GAP WHICH IT THINKS WILL BE QUITE APPARENT BY DECEMBER. HOWEVER, IT IS TRYING TO SQUEEZE FURTHER SCRAP FROM THE UK AND BORROW SUPPLIES FROM EASTERN EUROPE. CONSEQUENTLY, THE COMMISSION IS MOST EAGER THAT THE 1974 US PROGRAM ALLOW HEAVY SHIPMENT TO ITALY EARLY IN THE YEAR.

4. COMMENT: WITHOUT EXPRESSLY SAYING SO AND WHILE STILL KEEPING LIMITED OFFICIAL USE

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THE 1973 REQUEST ON THE TABLE, FIELDING STRONGLY IMPLIED THAT THE COMMISSION IS NOW FOCUSING ON THE PROBLEM FOR NEXT YEAR IN THE HOPE THAT IT CAN REACH EARLY AGREEMENT WITH THE US WHICH WOULD ALLOW SHIPMENTS IN 1974 OF SUFFICIENT SUPPLIES TO ITALY. GREENWALD

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